

AMENDED IN SENATE AUGUST 4, 2014

AMENDED IN SENATE JUNE 24, 2014

AMENDED IN SENATE JUNE 11, 2014

AMENDED IN ASSEMBLY MAY 5, 2014

AMENDED IN ASSEMBLY APRIL 21, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

## **ASSEMBLY BILL**

**No. 2618**

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**Introduced by Assembly Member John A. Pérez  
(Coauthors: Assembly Members Dickinson and Ting)**

February 21, 2014

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An act to amend Sections 36601, 36602, 36603.5, 36621, 36622, 36624, 36625, 36628.5, ~~36632~~, 36650, and 36651 of, to amend and renumber Sections 36606, 36611, 36612, 36613, 36614, and 36614.5 of, and to add Sections ~~33609.4~~, 36609.5, 36614.6, 36614.7, and 36615.5 to, the Streets and Highways Code, relating to benefit assessments.

### LEGISLATIVE COUNSEL'S DIGEST

AB 2618, as amended, John A. Pérez. Property and business improvement areas: benefit assessments.

The California Constitution generally requires that assessments, fees, and charges be submitted to property owners for approval or rejection after the provision of written notice and the holding of a public hearing.

The Property and Business Improvement District Law of 1994 authorizes cities to form property and business improvement districts that may levy assessments within a district for the purpose of making improvements and promoting activities of benefit to the properties and

businesses within the district, and defines various terms for purposes of the law.

The law requires a management district plan to include, among other things, the name of the proposed district, a description of the boundaries of the district, and the total annual amount proposed to be expended for improvements, maintenance and operations, and debt service in each year of operation of the district.

This bill would require a management district plan to additionally include, for districts that are property-based, the proportionate special benefit derived by each identified parcel, to be determined as prescribed, the total amount of all special benefits to be conferred on the properties located within the property-based district, the total amount of any general benefit, and a detailed engineer's report, as specified.

This bill would define the term "special benefit" for purposes of that law to mean a particular and distinct benefit over and above general benefits, as defined, conferred on real property located in a district or to the public at large, and would specify that special benefit includes ~~incidental, secondary,~~ *incidental* or collateral effects that arise even if those effects benefit property or persons not assessed.

The law additionally requires the city council to adopt a resolution of formation containing, among other things, a statement that the improvements and activities to be provided in the district will be funded by the levy of the assessments and a finding that the property or businesses within the area of the district will be benefited by the improvements and activities funded by the assessments proposed to be levied.

This bill would require a finding that the property within the district will receive a special benefit and the total amount of all special benefits to be conferred on the properties within the property-based district.

~~The law authorizes a city council to levy assessments on businesses or on property owners, or a combination of the 2, and requires the city council to structure the assessments on whatever manner it determines corresponds with the distribution of benefits from the proposed improvements and activities.~~

~~This bill would require any property-based assessment to be proportional to the special benefit conferred on the assessed property, and conform with specified requirements and would prohibit the assessment from exceeding the reasonable cost of the proportional special benefit conferred, as specified.~~

The bill would make various conforming changes to specify that the provisions described above apply to maintenance as well as improvements and activities.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 36601 of the Streets and Highways Code
- 2 is amended to read:
- 3 36601. The Legislature finds and declares all of the following:
- 4 (a) Businesses located and operating within business districts
- 5 in some of this state's communities are economically
- 6 disadvantaged, are underutilized, and are unable to attract
- 7 customers due to inadequate facilities, services, and activities in
- 8 the business districts.
- 9 (b) It is in the public interest to promote the economic
- 10 revitalization and physical maintenance of business districts in
- 11 order to create jobs, attract new businesses, and prevent the erosion
- 12 of the business districts.
- 13 (c) It is of particular local benefit to allow business districts to
- 14 fund business related improvements, maintenance, and activities
- 15 through the levy of assessments upon the businesses or real
- 16 property that receive benefits from those improvements.
- 17 (d) Assessments levied for the purpose of conferring special
- 18 benefit upon the real property or businesses in a business district
- 19 are not taxes for the general benefit of a city, even if property or
- 20 persons not assessed receive ~~incidental, secondary, incidental~~ or
- 21 collateral effects that benefit them.
- 22 (e) Property and business improvement districts formed
- 23 throughout this state have conferred special benefits upon
- 24 properties and businesses within their districts and have made
- 25 those properties and businesses more useful by providing the
- 26 following benefits:
- 27 (1) Crime reduction. A study by the Rand Corporation has
- 28 confirmed a 12-percent reduction in the incidence of robbery and
- 29 an 8-percent reduction in the total incidence of violent crimes
- 30 within the 30 districts studied.
- 31 (2) Job creation.
- 32 (3) Business attraction.

1 (4) Business retention.

2 (5) Economic growth.

3 (6) New investments.

4 (f) With the dissolution of redevelopment agencies throughout  
5 the state, property and business improvement districts have become  
6 even more important tools with which communities can combat  
7 blight, promote economic opportunities, and create a clean and  
8 safe environment.

9 (g) Since the enactment of this act, the people of California have  
10 adopted Proposition 218, which added Article XIII D to the  
11 Constitution in order to place certain requirements and restrictions  
12 on the formation of, and activities, expenditures, and assessments  
13 by property-based districts. Article XIII D of the Constitution  
14 provides that property-based districts may only levy assessments  
15 for special benefits.

16 (h) The act amending this section is intended to provide the  
17 Legislature's guidance with regard to this act, its interaction with  
18 the provisions of Article XIII D of the Constitution, and the  
19 determination of special benefits in property-based districts.

20 (1) The lack of legislative guidance has resulted in uncertainty  
21 and inconsistent application of this act, which discourages the use  
22 of assessments to fund needed improvements, maintenance, and  
23 activities in property-based districts, contributing to blight and  
24 other underutilization of property.

25 (2) Activities undertaken for the purpose of conferring special  
26 benefits upon property to be assessed inherently produce ~~incidental,~~  
27 ~~secondary,~~ *incidental* or collateral effects that benefit property or  
28 persons not assessed. Therefore, for special benefits to exist as a  
29 separate and distinct category from general benefits, the ~~incidental,~~  
30 ~~secondary,~~ *incidental* or collateral effects of those special benefits  
31 are inherently part of those special benefits. The mere fact that  
32 special benefits produce ~~incidental,~~ ~~secondary,~~ *incidental* or  
33 collateral effects that benefit property or persons not assessed does  
34 not convert any portion of those special benefits or their ~~incidental,~~  
35 ~~secondary,~~ *incidental* or collateral effects into general benefits.

36 (3) It is of the utmost importance that property-based districts  
37 created under this act have clarity regarding restrictions on  
38 assessments they may levy and the proper determination of special  
39 benefits. Legislative clarity with regard to this act will provide  
40 districts with clear instructions and courts with legislative intent

1 regarding restrictions on property-based assessments, and the  
2 manner in which special benefits should be determined.

3 SEC. 2. Section 36602 of the Streets and Highways Code is  
4 amended to read:

5 36602. The purpose of this part is to supplement previously  
6 enacted provisions of law that authorize cities to levy assessments  
7 within property and business improvement districts, to ensure that  
8 those assessments conform to all constitutional requirements and  
9 are determined and assessed in accordance with the guidance set  
10 forth in this act. This part does not affect or limit any other  
11 provisions of law authorizing or providing for the furnishing of  
12 improvements or activities or the raising of revenue for these  
13 purposes.

14 SEC. 3. Section 36603.5 of the Streets and Highways Code is  
15 amended to read:

16 36603.5. Any provision of this part that conflicts with any other  
17 provision of law shall prevail over the other provision of law, as  
18 to districts created under this part.

19 SEC. 4. Section 36606 of the Streets and Highways Code is  
20 amended and renumbered to read:

21 36606.5. "Assessment" means a levy for the purpose of  
22 acquiring, constructing, installing, or maintaining improvements  
23 and providing activities that will provide certain benefits to  
24 properties or businesses located within a property and business  
25 improvement district.

26 SEC. 5. *Section 36609.4 is added to the Streets and Highways*  
27 *Code, to read:*

28 36609.4. "*Clerk*" means the clerk of the legislative body.

29 ~~SEC. 5.~~

30 SEC. 6. Section 36609.5 is added to the Streets and Highways  
31 Code, to read:

32 36609.5. "General benefit" means, for purposes of a  
33 property-based district, any benefit that is not a "special benefit"  
34 as defined in Section 36615.5.

35 ~~SEC. 6.~~

36 SEC. 7. Section 36611 of the Streets and Highways Code is  
37 amended and renumbered to read:

38 36614.5. "Property and business improvement district," or  
39 "district," means a property and business improvement district  
40 established pursuant to this part.

1     ~~SEC. 7.~~

2     *SEC. 8.* Section 36612 of the Streets and Highways Code is  
3 amended and renumbered to read:

4     36614. “Property” means real property situated within a district.

5     ~~SEC. 8.~~

6     *SEC. 9.* Section 36613 of the Streets and Highways Code is  
7 amended and renumbered to read:

8     36606. “Activities” means, but is not limited to, all of the  
9 following that benefit businesses or real property in the district:

10    (a) Promotion of public events.

11    (b) Furnishing of music in any public place.

12    (c) Promotion of tourism within the district.

13    (d) Marketing and economic development, including retail  
14 retention and recruitment.

15    (e) Providing security, sanitation, graffiti removal, street and  
16 sidewalk cleaning, and other municipal services supplemental to  
17 those normally provided by the municipality.

18    (f) Other services provided for the purpose of conferring special  
19 benefit upon assessed businesses and real property located in the  
20 district.

21     ~~SEC. 9.~~

22     *SEC. 10.* Section 36614 of the Streets and Highways Code is  
23 amended and renumbered to read:

24     36611. “Management district plan” or “plan” means a proposal  
25 as defined in Section 36622.

26     ~~SEC. 10.~~

27     *SEC. 11.* Section 36614.5 of the Streets and Highways Code  
28 is amended and renumbered to read:

29     36612. “Owners’ association” means a private nonprofit entity  
30 that is under contract with a city to administer or implement  
31 improvements, maintenance, and activities specified in the  
32 management district plan. An owners’ association may be an  
33 existing nonprofit entity or a newly formed nonprofit entity. An  
34 owners’ association is a private entity and may not be considered  
35 a public entity for any purpose, nor may its board members or staff  
36 be considered to be public officials for any purpose.  
37 Notwithstanding this section, an owners’ association shall comply  
38 with the Ralph M. Brown Act (Chapter 9 (commencing with  
39 Section 54950) of Part 1 of Division 2 of Title 5 of the Government  
40 Code), at all times when matters within the subject matter of the

1 district are heard, discussed, or deliberated, and with the California  
2 Public Records Act (Chapter 3.5 (commencing with Section 6250)  
3 of Division 7 of Title 1 of the Government Code), for all records  
4 relating to activities of the district.

5 ~~SEC. 11.~~

6 *SEC. 12.* Section 36614.6 is added to the Streets and Highways  
7 Code, to read:

8 36614.6. "Property-based assessment" means any assessment  
9 made pursuant to this part upon real property.

10 ~~SEC. 12.~~

11 *SEC. 13.* Section 36614.7 is added to the Streets and Highways  
12 Code, to read:

13 36614.7. "Property-based district" means any district in which  
14 a city levies a property-based assessment.

15 ~~SEC. 13.~~

16 *SEC. 14.* Section 36615.5 is added to the Streets and Highways  
17 Code, to read:

18 36615.5. "Special benefit" means, for purposes of a  
19 property-based district, a particular and distinct benefit over and  
20 above general benefits conferred on real property located in a  
21 district or to the public at large. Special benefit includes ~~incidental,~~  
22 ~~secondary,~~ *incidental* or collateral effects that arise from the  
23 improvements, maintenance, or activities of property-based districts  
24 even if those ~~incidental, secondary,~~ *incidental* or collateral effects  
25 benefit property or persons not assessed. Special benefit excludes  
26 general enhancement of property value.

27 ~~SEC. 14.~~

28 *SEC. 15.* Section 36621 of the Streets and Highways Code is  
29 amended to read:

30 36621. (a) Upon the submission of a written petition, signed  
31 by the property or business owners in the proposed district who  
32 will pay more than 50 percent of the assessments proposed to be  
33 levied, the city council may initiate proceedings to form a district  
34 by the adoption of a resolution expressing its intention to form a  
35 district. The amount of assessment attributable to property or a  
36 business owned by the same property or business owner that is in  
37 excess of 40 percent of the amount of all assessments proposed to  
38 be levied, shall not be included in determining whether the petition  
39 is signed by property or business owners who will pay more than  
40 50 percent of the total amount of assessments proposed to be levied.

(b) The petition of property or business owners required under subdivision (a) shall include a summary of the management district plan. That summary shall include all of the following:

(1) A map showing the boundaries of the district.

(2) Information specifying where the complete management district plan can be obtained.

(3) Information specifying that the complete management district plan shall be furnished upon request.

(c) The resolution of intention described in subdivision (a) shall contain all of the following:

(1) A brief description of the proposed improvements, maintenance, and activities, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property or businesses within the district, a statement as to whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the city clerk. The descriptions and statements do not need to be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, and activities, and the location and extent of the proposed district.

(2) A time and place for a public hearing on the establishment of the property and business improvement district and the levy of assessments, which shall be consistent with the requirements of Section 36623.

~~SEC. 15.~~

*SEC. 16.* Section 36622 of the Streets and Highways Code is amended to read:

36622. The management district plan shall include, but is not limited to, all of the following:

(a) If the assessment will be levied on property, a map of the district in sufficient detail to locate each parcel of property and, if businesses are to be assessed, each business within the district. If the assessment will be levied on businesses, a map that identifies the district boundaries in sufficient detail to allow a business owner to reasonably determine whether a business is located within the district boundaries. If the assessment will be levied on property and businesses, a map of the district in sufficient detail to locate each parcel of property and to allow a business owner to reasonably



1 determine whether a business is located within the district  
2 boundaries.

3 (b) The name of the proposed district.

4 (c) A description of the boundaries of the district, including the  
5 boundaries of benefit zones, proposed for establishment or  
6 extension in a manner sufficient to identify the affected property  
7 and businesses included, which may be made by reference to any  
8 plan or map that is on file with the ~~city~~ clerk. The boundaries of  
9 a proposed property assessment district shall not overlap with the  
10 boundaries of another existing property assessment district created  
11 pursuant to this part. This part does not prohibit the boundaries of  
12 a district created pursuant to this part to overlap with other  
13 assessment districts established pursuant to other provisions of  
14 law, including, but not limited to, the Parking and Business  
15 Improvement Area Law of 1989 (Part 6 (commencing with Section  
16 36500)). This part does not prohibit the boundaries of a business  
17 assessment district created pursuant to this part to overlap with  
18 another business assessment district created pursuant to this part.  
19 This part does not prohibit the boundaries of a business assessment  
20 district created pursuant to this part to overlap with a property  
21 assessment district created pursuant to this part.

22 (d) The improvements, maintenance, and activities proposed  
23 for each year of operation of the district and the maximum cost  
24 thereof. If the improvements, maintenance, and activities proposed  
25 for each year of operation are the same, a description of the first  
26 year's proposed improvements, maintenance, and activities and a  
27 statement that the same improvements, maintenance, and activities  
28 are proposed for subsequent years shall satisfy the requirements  
29 of this subdivision.

30 (e) The total annual amount proposed to be expended for  
31 improvements, maintenance, or activities, and debt service in each  
32 year of operation of the district. If the assessment is levied on  
33 businesses, this amount may be estimated based upon the  
34 assessment rate. If the total annual amount proposed to be expended  
35 in each year of operation of the district is not significantly different,  
36 the amount proposed to be expended in the initial year and a  
37 statement that a similar amount applies to subsequent years shall  
38 satisfy the requirements of this subdivision.

39 (f) The proposed source or sources of financing, including the  
40 proposed method and basis of levying the assessment in sufficient

1 detail to allow each property or business owner to calculate the  
2 amount of the assessment to be levied against his or her property  
3 or business. The plan also shall state whether bonds will be issued  
4 to finance improvements.

5 (g) The time and manner of collecting the assessments.

6 (h) The specific number of years in which assessments will be  
7 levied. In a new district, the maximum number of years shall be  
8 five. Upon renewal, a district shall have a term not to exceed 10  
9 years. Notwithstanding these limitations, a district created pursuant  
10 to this part to finance capital improvements with bonds may levy  
11 assessments until the maximum maturity of the bonds. The  
12 management district plan may set forth specific increases in  
13 assessments for each year of operation of the district.

14 (i) The proposed time for implementation and completion of  
15 the management district plan.

16 (j) Any proposed rules and regulations to be applicable to the  
17 district.

18 (k) (1) A list of the properties or businesses to be assessed,  
19 including the assessor's parcel numbers for properties to be  
20 assessed, and a statement of the method or methods by which the  
21 expenses of a district will be imposed upon benefited real property  
22 or businesses, in proportion to the benefit received by the property  
23 or business, to defray the cost thereof.

24 (2) In a property-based district, the proportionate special benefit  
25 derived by each identified parcel shall be determined exclusively  
26 in relationship to the entirety of the capital cost of a public  
27 improvement, the maintenance and operation expenses of a public  
28 improvement, or the cost of the activities. An assessment shall not  
29 be imposed on any parcel that exceeds the reasonable cost of the  
30 proportional special benefit conferred on that parcel. Only special  
31 benefits are assessable, and a property-based district shall separate  
32 the general benefits, if any, from the special benefits conferred on  
33 a parcel. Parcels within a property-based district that are owned  
34 or used by any city, public agency, the State of California, or the  
35 United States shall not be exempt from assessment unless the  
36 governmental entity can demonstrate by clear and convincing  
37 evidence that those publicly owned parcels in fact receive no  
38 special benefit. The value of any incidental, secondary, or collateral  
39 effects that arise from the improvements, maintenance, or activities  
40 of a property-based district and that benefit property or persons

1 not assessed shall not be deducted from the entirety of the cost of  
2 any special benefit or affect the proportionate special benefit  
3 derived by each identified parcel.

4 (l) In a property-based district, the total amount of all special  
5 benefits to be conferred upon the properties located within the  
6 property-based district.

7 (m) In a property-based district, the total amount of general  
8 benefits, if any.

9 (n) In a property-based district, a detailed engineer's report  
10 prepared by a registered professional engineer certified by the  
11 State of California supporting all assessments contemplated by the  
12 management district plan.

13 (o) Any other item or matter required to be incorporated therein  
14 by the city council.

15 ~~SEC. 16.~~

16 *SEC. 17.* Section 36624 of the Streets and Highways Code is  
17 amended to read:

18 36624. At the conclusion of the public hearing to establish the  
19 district, the city council may adopt, revise, change, reduce, or  
20 modify the proposed assessment or the type or types of  
21 improvements, maintenance, and activities to be funded with the  
22 revenues from the assessments. Proposed assessments may only  
23 be revised by reducing any or all of them. At the public hearing,  
24 the city council may only make changes in, to, or from the  
25 boundaries of the proposed property and business improvement  
26 district that will exclude territory that will not benefit from the  
27 proposed improvements, maintenance, and activities. Any  
28 modifications, revisions, reductions, or changes to the proposed  
29 assessment district shall be reflected in the notice and map recorded  
30 pursuant to Section 36627.

31 ~~SEC. 17.~~

32 *SEC. 18.* Section 36625 of the Streets and Highways Code is  
33 amended to read:

34 36625. (a) If the city council, following the public hearing,  
35 decides to establish a proposed property and business improvement  
36 district, the city council shall adopt a resolution of formation that  
37 shall include, but is not limited to, all of the following:

38 (1) A brief description of the proposed improvements,  
39 maintenance, and activities, the amount of the proposed assessment,  
40 a statement as to whether the assessment will be levied on property,

1 businesses, or both within the district, a statement on whether  
2 bonds will be issued, and a description of the exterior boundaries  
3 of the proposed district, which may be made by reference to any  
4 plan or map that is on file with the city clerk. The descriptions and  
5 statements need not be detailed and shall be sufficient if they enable  
6 an owner to generally identify the nature and extent of the  
7 improvements, maintenance, and activities and the location and  
8 extent of the proposed district.

9 (2) The number, date of adoption, and title of the resolution of  
10 intention.

11 (3) The time and place where the public hearing was held  
12 concerning the establishment of the district.

13 (4) A determination regarding any protests received. The city  
14 shall not establish the district or levy assessments if a majority  
15 protest was received.

16 (5) A statement that the properties, businesses, or properties  
17 and businesses in the district established by the resolution shall be  
18 subject to any amendments to this part.

19 (6) A statement that the improvements, maintenance, and  
20 activities to be conferred on businesses and properties in the district  
21 will be funded by the levy of the assessments. The revenue from  
22 the levy of assessments within a district shall not be used to provide  
23 improvements, maintenance, or activities outside the district or  
24 for any purpose other than the purposes specified in the resolution  
25 of intention, as modified by the city council at the hearing  
26 concerning establishment of the district.

27 (7) A finding that the property or businesses within the area of  
28 the property and business improvement district will be benefited  
29 by the improvements, maintenance, and activities funded by the  
30 proposed assessments, and, for a property-based district, that  
31 property within the district will receive a special benefit.

32 (8) In a property-based district, the total amount of all special  
33 benefits to be conferred on the properties within the property-based  
34 district.

35 (b) The adoption of the resolution of formation and, if required,  
36 recordation of the notice and map pursuant to Section 36627 shall  
37 constitute the levy of an assessment in each of the fiscal years  
38 referred to in the management district plan.

~~SEC. 18.~~

*SEC. 19.* Section 36628.5 of the Streets and Highways Code is amended to read:

36628.5. The city council may levy assessments on businesses or on property owners, or a combination of the two, pursuant to this part. The city council shall structure the assessments in whatever manner it determines corresponds with the distribution of benefits from the proposed improvements, maintenance, and activities, provided that any property-based assessment conforms with the requirements set forth in paragraph (2) of subdivision (k) of Section 36622.

~~SEC. 19.~~ ~~Section 36632 of the Streets and Highways Code is amended to read:~~

~~36632. (a) The assessments levied on real property pursuant to this part shall be levied proportionally to the special benefit conferred on the real property, and shall not exceed the reasonable cost of the proportional special benefit conferred on the real property. Any additional costs of providing general benefits shall not be included in the amounts assessed. The city council may classify properties for purposes of determining the special benefit conferred on property by the improvements, maintenance, and activities conferred pursuant to this part.~~

~~(b) Assessments levied on businesses pursuant to this part shall be levied on the basis of the estimated benefit to the businesses within the property and business improvement district. The city council may classify businesses for purposes of determining the benefit to the businesses of the improvements, maintenance, and activities conferred pursuant to this part.~~

~~(c) Properties zoned solely for no more than four residential units that are used solely for residential purposes or zoned for agricultural use are presumed conclusively not to receive special benefit from the improvements, maintenance, and service activities funded through these assessments, and shall not be subject to any assessment pursuant to this part.~~

*SEC. 20.* Section 36650 of the Streets and Highways Code is amended to read:

36650. (a) The owners' association shall cause to be prepared a report for each fiscal year, except the first year, for which assessments are to be levied and collected to pay the costs of the improvements, maintenance, and activities described in the report.

1 The owners' association's first report shall be due after the first  
2 year of operation of the district. The report may propose changes,  
3 including, but not limited to, the boundaries of the property and  
4 business improvement district or any benefit zones within the  
5 district, the basis and method of levying the assessments, and any  
6 changes in the classification of property, including any categories  
7 of business, if a classification is used.

8 (b) The report shall be filed with the clerk and shall refer to the  
9 property and business improvement district by name, specify the  
10 fiscal year to which the report applies, and, with respect to that  
11 fiscal year, shall contain all of the following information:

12 (1) Any proposed changes in the boundaries of the property and  
13 business improvement district or in any benefit zones or  
14 classification of property or businesses within the district.

15 (2) The improvements, maintenance, and activities to be  
16 provided for that fiscal year.

17 (3) An estimate of the cost of providing the improvements,  
18 maintenance, and activities for that fiscal year.

19 (4) The method and basis of levying the assessment in sufficient  
20 detail to allow each real property or business owner, as appropriate,  
21 to estimate the amount of the assessment to be levied against his  
22 or her property or business for that fiscal year.

23 (5) The estimated amount of any surplus or deficit revenues to  
24 be carried over from a previous fiscal year.

25 (6) The estimated amount of any contributions to be made from  
26 sources other than assessments levied pursuant to this part.

27 (c) The city council may approve the report as filed by the  
28 owners' association or may modify any particular contained in the  
29 report and approve it as modified. Any modification shall be made  
30 pursuant to Sections 36635 and 36636.

31 The city council shall not approve a change in the basis and  
32 method of levying assessments that would impair an authorized  
33 or executed contract to be paid from the revenues derived from  
34 the levy of assessments, including any commitment to pay principal  
35 and interest on any bonds issued on behalf of the district.

36 SEC. 21. Section 36651 of the Streets and Highways Code is  
37 amended to read:

38 36651. The management district plan may, but is not required  
39 to, state that an owners' association will provide the improvements,  
40 maintenance, and activities described in the management district

- 1 plan. If the management district plan designates an owners’
- 2 association, the city shall contract with the designated nonprofit
- 3 corporation to provide services.

O